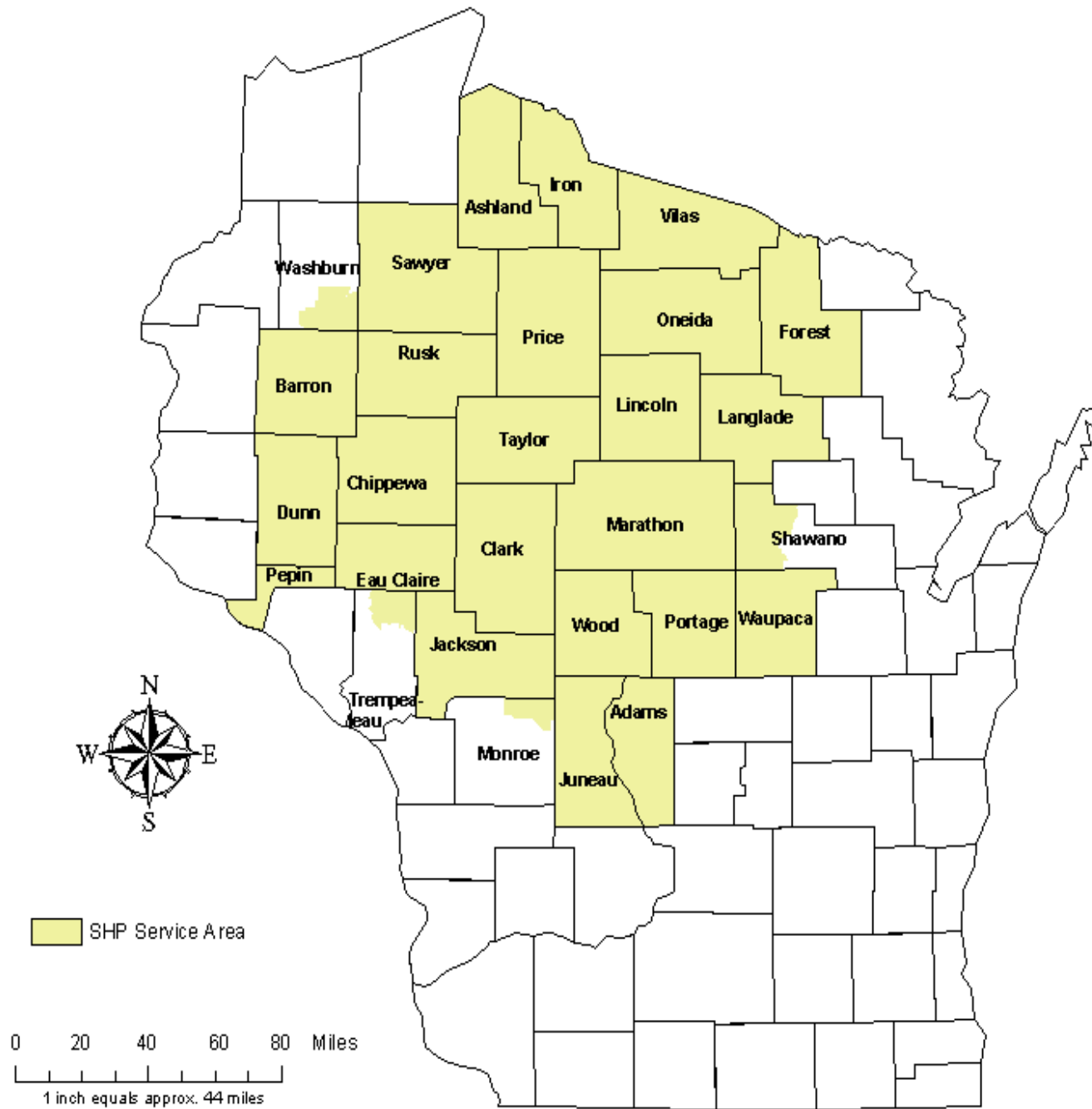


Health Care Cost Crisis: State Government's Role



John Smylie
Chief Administrative Officer
Security Health Plan of Wisconsin, Inc.

SERVICE AREA MAP

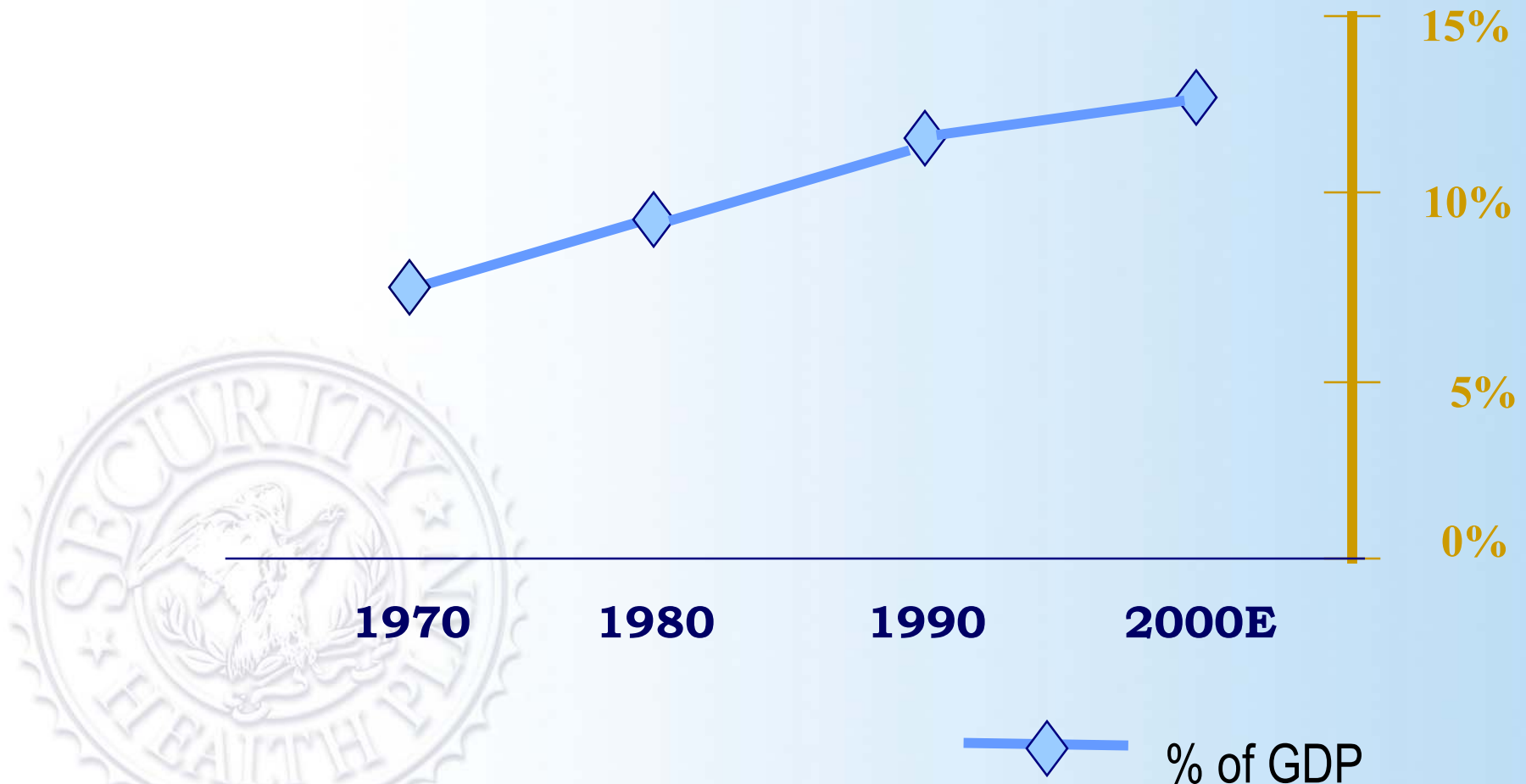


One Constant: Consumers Have Benefited So Far



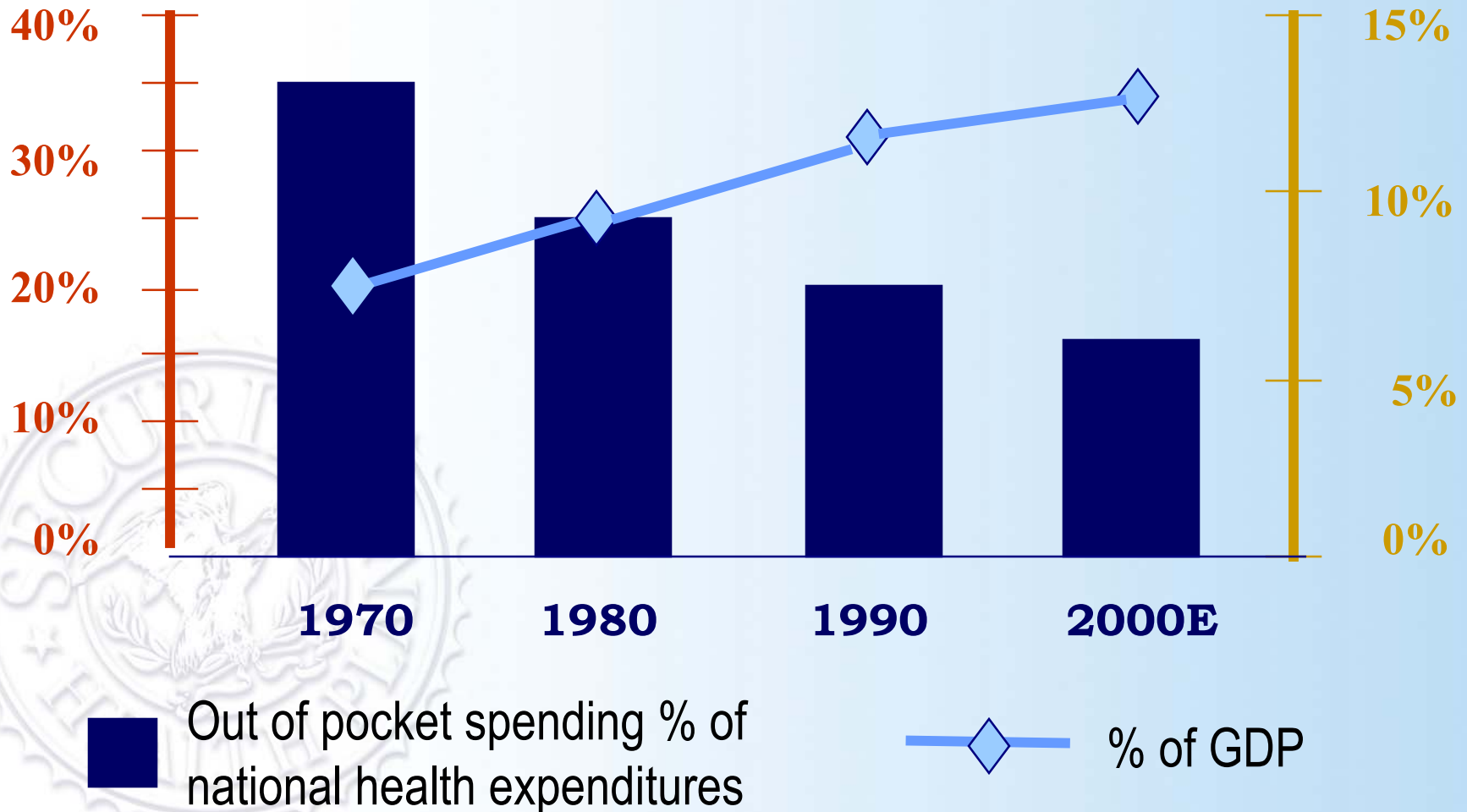
Source: Centers for Medicare and Medicaid Services, 2001

One Constant: Consumers Have Benefited So Far



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Health Insurance Once Considered a “Fringe Benefit”

It's not “fringe” anymore

- Family premiums \$800-1,000/month
- Equivalent of \$5 to \$6 per hour
- Equivalent of 25% of average household income in many rural counties

Drivers of Health Care

- Aging population
- Access
- Technology
- Consumer demand & expectations
- Consumer lack of involvement
- Focus on quality of life, not just absence of illness
- Societal expectations
- Advertising - Prilosec, Claritin & Detrol
- Cost shifting from government programs

Milliman USA 2001 HMO Intercompany Rate Survey

	Rank	Total Manual Premium pmpm	% Wisconsin Over
North Carolina	1	\$216.54	
Wisconsin	2	214.46	
Florida	15	177.84	20.6
Louisiana	23	163.05	31.5
California	27	148.69	44.2

Lifestyle & Health Care Costs

Choices we make have a great effect on our health status and the cost to maintain health.

- Smoking
- Alcohol consumption
- Seat belt use
- Over-nutrition
- Underactivity



Healthy Lifestyle Initiative

- Grass roots based
- Goals
 - ✓ To develop community solutions to create healthier options and choices within our communities
 - ✓ To educate community members to healthier lifestyle choices
 - ✓ To build a coalition of people to design healthier communities

State Government's Role

1. Minimize cost shifting from government-sponsored health care (Medicare/Medicaid) through increasing provider reimbursement
 - Medicare Health Summit (April 29, 2002)
 - Work with Wisconsin Congressional Delegation
 - Collaborate with other states
 - Seek parity in Medicare reimbursement

State Government's Role

2. Allow business to have more flexibility in health plan design

- Reduce or eliminate state mandates on group health insurance
- Encourage innovation, like MSAs and Health Reimbursement Accounts



State Government's Role

3. Focus on health status of the population

- Healthy People 2010 – Public Health Plan
- Governor McCallum's WEHL
- **Wisconsin Encourages Healthy Lifestyles**
- Showcase employer & community initiatives
- Role models

